

1.4 Stakeholders

- Introduction of a stakeholder

- A stakeholder is any individual, group or organization with a direct interest in and/or is affected by the activities and performance of a business
- They can be classified as internal or external stakeholders

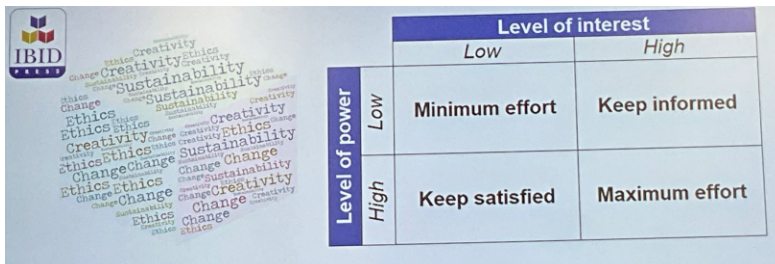
- Dealing with stakeholder conflict

- Stakeholder conflict refers to the inability of an organization to meet all of its stakeholder objectives simultaneously
- This is due to differences in the varying needs of all its stakeholder groups
- There can be possible areas of mutual benefits between stakeholders' interests. For example

Customers want value for money, with competitive prices and good quality products. This does not necessarily cause a conflict with managers and directors as businesses that create value for money are most likely to sustain profits in the long term, generating a healthy return on investment for shareholders

Improved financial rewards for all employees will cost more, but can result in a more motivated, loyal and productive workforce. Ultimately, resolving the potential conflict in interest between employees and employers can lead to improved efficiency and higher profits

- Concepts in BM: change



		Level of interest	
		Low	High
Level of power	Low	Minimum effort	Keep informed
	High	Keep satisfied	Maximum effort

- Conflict is inevitable when there are varied opinions. Thus, conflict resolution is essential when firms are managing change
- Stakeholder mapping is a useful tool to help managers prioritize actions to take for resolving conflict
- This model assesses the relative interest and relative power (or influence) of stakeholders

- Stakeholders

- Internal stakeholders

- Introduction

- These stakeholders are members of the organization. They have a direct interest in, and are affected by, the activities and performance of a business

- Employees

- Employees are likely to have an interest in the organization they work for

- They tend to strive for improvements in
 - Pay and other financial benefits
 - Working conditions
 - Job security
 - Opportunities for career progression
- Managers and directors
 - Managers are the people who oversee the daily operations of a business
 - Directors are senior executives who direct business operations on behalf of shareholders
 - They are primarily interested in
 - Profit maximization
 - Job security and financial benefits
 - Long-term financial health of the company
- Shareholders
 - Shareholders are a powerful stakeholder group due to their voting rights
 - They have two main interests
 - Maximize dividends
 - Achieve capital gain in the value of the shares
- External stakeholders
 - Introduction
 - These are stakeholders who do not form part of a business but have a direct interest in, and are affected by, the activities and performance of a business
 - Customers
 - Customer care is instrumental to the survival of a business
 - Their interests vary depending on the goods and/or services provided by the business
 - However, they are generally interested in
 - Quality of goods and services
 - Value for money
 - Suppliers
 - Suppliers provide a business with stocks of raw materials needed for production
 - Their main interests are
 - Clients who pay their bills on time
 - Regular contracts with clients
 - Good working relationships with clients
 - Financiers
 - These are the financial institutions and individual investors who provide sources of finance for a firm
 - Financiers earn money by charging interest on the amount of money borrowed
 - Their interests include

The ability of a firm to repay debts from generating sufficient profits

Establishing long-term relationships with firms in order to achieve subsequent earnings

- **Pressure groups**

- Pressure groups consist of individuals with a common interest who seek to place demands on organizations to influence a change in their behavior
- For example, Greenpeace is an international organization that campaigns for environmental issues and global peace
- Pressure groups are set up as legal business entities to pursue these specialist interests
- **Examples**

Friends of the Earth(environmentalism and human rights)

Greenpeace (environmentalism and peace)

Oxfam International (poverty eradication and disaster relief)

World Wildlife Fund(environmentalism,conservation and ecology)

- **Competitors**

- These are rival businesses of an organization
- Their interests in the business include

Innovation that arises from rivalry

Responding to competitive threats

Performance benchmark

- **The government**

- The government is keen to see that businesses operate in a legal and socially responsible way
- This is enforced by government policies, such as

Consumer protection legislation

Employment laws

Environmental protection guidelines

Equal opportunities legislation

Health and safety standards and regulations

Taxation policies and laws

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